

January 10, 2006

Maine Milk Commission Special Meeting Minutes
Agriculture Trade Show
Augusta Civic Center

Commission Present: Chair, Michael Wiers, Colon Durrell, John Joseph Jr., Katherine O. Musgrave and Shelley Doak.

Commission Absent: None

Department Officials: Acting Agriculture Commissioner Ned Porter and former Commissioner Bob Spear

Staff Present: Stanley Millay, Executive Director, and Carol Gauthier clerical assistant

Legal Counsel: Lucinda White, Assistant Attorney General not present.

Intervenors Present: John Blake, H.P. Hood, Inc., Tom Brigham, Oakhurst Dairy

Meeting called to order at 10:20 A.M. by chair, Michael Wiers.

Mr. Wiers welcomed visitors and guests. This meeting was for the purpose of up-dating the Commission and others on the state of the dairy industry in Maine and the U.S.

Guest speakers included: Erik Rasmussen the Northeast Market Administrator Federal Milk Order No. 1, Leon Graves representing Dairy Marketing Services (DMS), Robert Wellington from Agri-Mark Cooperative and Lisa Bragg from the University of Maine.

Mr. Rasmussen gave an over-view of issues in the Northeast that may impact dairy producers and processors. These items include a new cheddar cheese plant in New Mexico that is so large it will affect supply in the Northeast. He also mentioned open hearings on Class I definitions as they apply to Hood's Carb Countdown product and open hearings on Agri-Mark's petition to lower the make allowance on Class II and III products. He said he could not speak about the latter because it was in the hearing process. He referred questions on that issue to Mr. Wellington.

Mr. Graves opened his remarks by thanking Bob Spear for his many years of dedicated service to Maine agriculture. He introduced Steve Pyne who procures milk for DMS in Maine. He reported that milk prices would be down in 2006 by about one-dollar/cwt. compared to 2005. He stated that this decrease will hurt dairy producers and will be compounded by higher energy costs. He thought supply and demand in 2006 would be closer. Mr. Graves went on to say the Cooperatives Working Together (CWT) program would continue in 2006. He said that 1.6 billion pounds of milk had been removed from the supply line in their latest herd buy-out. He reported that CWT's export efforts included a \$20 million "user friendly" cheese program. He explained that CWT is funded by a voluntary five-cent/cwt producer check-off with about 70% of the milk produced in the U.S. participating. He said that there was some discussion about increasing the assessment.

He stated that nationally congress was dealing with a number of issues that will affect the dairy industry among them are concentrated animal feeding operations (CAFO's), EPA's air emission regulations and the 2007 farm bill.

Mr. Wellington provided the Commission with an explanation of Agri-Mark's petition to lower the make allowance on Class II and III products. He said that the make allowance is a fixed manufacturing cost based on 1998-99 data and needs to be adjusted to current day levels.

He spoke about premiums and milk supply in the northeast and had a lively discussion with members of the audience.

Lisa Bragg presented the Commission with an over view of the cost of production study that the University is conducting for the Commission. She pointed out that characteristics of the small, medium and of large size categories have changed since the 2002 study.

She showed the cost centers used and the results of each. In summary, the average cost of producing milk in Maine is \$23.40/cwt and is higher than the northeast average (\$21.76) by \$1.64. This difference is attributed to higher repair costs, higher property taxes and higher fuel costs in Maine.

Mr. Wiers thanked the speakers and adjourned the meeting at 11:50 P.M.

Stanley Millay, Executive Director, Maine Milk Commission.